

Company Registration No: 2392350

PATALEX II PRODUCTIONS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the period from 1 August 2004 to 30 September 2004

**Group Secretariat
The Royal Bank of Scotland Group plc
3 Princess Way
Redhill
Surrey
RH1 1NP**



PATALEX II PRODUCTIONS LIMITED

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PATALEX II PRODUCTIONS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**T V Castledine
S J Caterer
A C Farnell
P A Tubb**

SECRETARY:

C J Whittaker

REGISTERED OFFICE:

**The Quadrangle
The Promenade
Cheltenham
Gloucestershire GL50 1PX**

AUDITORS:

**Deloitte & Touche LLP
Bristol**

Registered in England and Wales.

PATALEX II PRODUCTIONS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the period from 1 August 2004 to 30 September 2004.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company, which is a wholly owned subsidiary of Royal Bank Leasing Limited, is to carry on the business of developing, making, producing, distributing, exhibiting (by any means now or hereafter becoming known) and otherwise exploiting cinematograph films and video and sound recordings; manufacturing, buying, selling and otherwise dealing in cinematograph films, video recordings and any material on which video or sound recordings can be made and all types of equipment capable of being used in connection with the manufacture or processing of cinematograph films or such material for the production, exhibition or playing of cinematograph films or video or sound recordings.

The year end of the company has been changed from July to September to coincide with the completion and delivery date of the film to Patalex II Productions Limited under 'The Corpse Bride' Production Lease.

The retained profit for the period was £8,000 (Year ended 31 July 2004: accumulated loss £29,000) and this was transferred to reserves. The directors do not recommend that a dividend be paid (Year ended 31 July 2004: £Nil).

The directors do anticipate changes in both the type and level of activities of the company due to the post year end addition of the aforementioned film production lease.

DIRECTORS AND SECRETARY

The names of the present directors and secretary are as listed on page 1.

From 1 August 2004 to date the following changes have taken place:

Secretary

M L Thomas
C J Whittaker

18 November 2005

18 November 2005

PATALEX II PRODUCTIONS LIMITED

DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' INTERESTS

No director had an interest in the shares of the company.

The interests of Mr T V Castledine, Mrs S J Caterer, Mr A C Farnell and Mr P A Tubb in the share capital of The Royal Bank of Scotland Group plc group are disclosed in the financial statements of Royal Bank Leasing Limited.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company follows the policy and practice on payment of creditors determined by The Royal Bank of Scotland Group plc, as outlined below.

In the year ending 30 September 2005, the Group will adhere to the following payment policy in respect of all suppliers. The Group is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Group's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed.

The proportion which the amount owed to trade creditors at 30 September 2004 bears to the amounts invoiced by suppliers during the period then ended equated to 26 days proportion of 365 days (Year ended 31 July 2004: nil days).

PATALEX II PRODUCTIONS LIMITED

ELECTIVE RESOLUTIONS

Elective Resolutions electing to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually were passed on 1 October 2002.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'S J Caterer', written in a cursive style.

S J Caterer
Director

Date: 28 March 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PATALEX II PRODUCTIONS LIMITED

We have audited the financial statements of Patalex II Productions Limited for the period from 1 August 2004 to 30 September 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the directors' report, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2004 and of its profit for the period from 1 August 2004 to 30 September 2004 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Bristol, United Kingdom

31 March 2006

PATALEX II PRODUCTIONS LIMITED

PROFIT AND LOSS ACCOUNT
for the period ended 30 September 2004

	Note	CONTINUING OPERATIONS	
		1st August 2004 to 30 September 2004 £'000	Year ended 31 July 2004 £'000
Turnover	4	134	724
Administrative expenses	5	<u>(1)</u>	<u>(485)</u>
OPERATING PROFIT	5	133	239
Interest payable	6	<u>(121)</u>	<u>(281)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		12	(42)
Taxation (charge)/credit on profit/(loss) on ordinary activities	7	<u>(4)</u>	<u>13</u>
RETAINED PROFIT/(ACCUMULATED LOSS) FOR THE YEAR	11	<u>8</u>	<u>(29)</u>

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

The Company has no recognised gains and losses other than those included in the profits shown above therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 8 to 11 form part of these financial statements.

PATALEX II PRODUCTIONS LIMITED

BALANCE SHEET
as at 30 September 2004

		30 September 2004 Note	£'000	31 July 2004 £'000
CURRENT ASSETS				
DEBTORS:				
Finance lease receivables due after more than one year			15,893	13,462
Finance lease receivables due within one year			-	197
Other debtors	8		<u>379</u>	<u>319</u>
			16,272	13,978
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9		<u>(133)</u>	<u>(48)</u>
NET CURRENT ASSETS			<u>16,139</u>	<u>13,930</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			16,139	13,930
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9		<u>(16,160)</u>	<u>(13,959)</u>
NET LIABILITIES			<u>(21)</u>	<u>(29)</u>
CAPITAL AND RESERVES				
Called up share capital	10		-	-
Profit and loss account	11		<u>(21)</u>	<u>(29)</u>
TOTAL EQUITY SHAREHOLDERS' DEFICIT	12		<u>(21)</u>	<u>(29)</u>

The financial statements on pages 6 to 11 were approved by the Board of Directors on 28 March 2006 and were signed on its behalf by :-



S J Caterer
Director

The notes on pages 8 to 11 form part of these financial statements.

PATALEX II PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements on pages 6 to 11 are prepared on the basis of the principal accounting policies adopted by the Company described below and applicable United Kingdom Accounting Standards. Accounting policies have been applied consistently.

The Company's accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) issued by the Finance & Leasing Association. The SORP, 'Accounting issues in the asset finance and leasing industry', was published in April 2000.

a ACCOUNTING CONVENTION

The financial statements of the Company are prepared under the historical cost convention. In accordance with the Companies Act 1985, the Directors have adapted the prescribed formats of the financial statements as required by the special nature of the business.

b GROSS EARNINGS UNDER FINANCE LEASES

Gross earnings under finance leases are recognised according to the actuarial after tax method whereby pre tax and post tax profits are allocated to accounting periods so as to give a constant periodic rate of return on the net cash investment.

c AMOUNTS RECEIVABLE UNDER FINANCE LEASES

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the leases. Progress payments made prior to the commencement of the primary lease are included at cost together with the amount of any interest charged on such payments.

d CASH FLOW STATEMENT

The company is a wholly-owned subsidiary of The Royal Bank of Scotland Group plc and is included in the consolidated financial statements of The Royal Bank of Scotland Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised).

2 IMMEDIATE AND ULTIMATE PARENT COMPANY

The Company's immediate parent company is Royal Bank Leasing Limited.

The Company's ultimate holding company, ultimate controlling party, and the parent of the largest group into which the company is consolidated is The Royal Bank of Scotland Group plc that is incorporated in Great Britain and registered in Scotland. Financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

The smallest subgroup into which the company is consolidated has as its parent company The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

PATALEX II PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 RELATED PARTY TRANSACTIONS

The Company is exempt from the requirements of Financial Reporting Standard 8, 'Related Party Disclosures', to disclose transactions and balances with other subsidiaries or investees of The Royal Bank of Scotland Group plc as the results are included in the consolidated financial statements of The Royal Bank of Scotland Group plc.

There were no other related party transactions during the year or any amounts due to or from related parties outstanding at the balance sheet date.

4 TURNOVER	1st August 2004 to 30 September 2004 £'000	Year ended 31 July 2004 £'000
Finance leases:		
Amortisation	<u>134</u>	<u>724</u>
Capital cost of asset additions financed:		
Finance leases	<u>2,100</u>	<u>12,935</u>
5 OPERATING PROFIT	1st August 2004 to 30 September 2004 £'000	Year ended 31 July 2004 £'000
Includes the following:		
Administrative expenses:		
Fees & commissions	-	485
Management charge	<u>1</u>	<u>-</u>
	<u>1</u>	<u>485</u>

All directors and employees are employed and remunerated by The Royal Bank of Scotland plc, which does not make a recharge to the company. Costs incurred in respect of audit services to the Company are included in the management charge as shown below:

	£	£
Directors' emoluments	-	-
Auditors' remuneration - for audit services	326	236
Staff costs	<u>-</u>	<u>-</u>

The Royal Bank of Scotland Group has agreed to compensate UK members for any adjustments in respect of UK:UK Transfer Pricing that may arise under paragraph 1A of Schedule 28 AA, Income and Corporation Taxes Act 1988.

6 INTEREST PAYABLE	1st August 2004 to 30 September 2004 £'000	Year ended 31 July 2004 £'000
Interest payable to group undertakings	<u>121</u>	<u>281</u>

PATALEX II PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 TAXATION	1st August 2004 to 30 September 2004 £'000	Year ended 31 July 2004 £'000
A) ANALYSIS OF CHARGE/(CREDIT) FOR THE PERIOD		
Current tax charge/(credit):		
- Group relief payable/(receivable) on profits for the period	4	(13)
	<u>4</u>	<u>(13)</u>
Taxation charge/(credit) on profit on ordinary activities	<u>4</u>	<u>(13)</u>
B) FACTORS AFFECTING THE CURRENT TAX CHARGE/(CREDIT) FOR THE PERIOD		
Profit/(loss) on ordinary activities before tax	<u>12</u>	<u>(42)</u>
Tax on profit/(loss) on ordinary activities at the standard rate of 30% (Year ended 31 July 2004: 30%)	4	(13)
	<u>4</u>	<u>(13)</u>
Current tax charge/(credit)	<u>4</u>	<u>(13)</u>
8 DEBTORS	30 September 2004 £'000	31 July 2004 £'000
Amounts falling due within one year:		
Amounts due from group undertakings	11	14
Other debtors	<u>368</u>	<u>305</u>
	<u>379</u>	<u>319</u>
9 CREDITORS	30 September 2004 £'000	31 July 2004 £'000
Amounts falling due within one year:		
Trade creditors	123	-
Amounts due to group undertakings	<u>10</u>	<u>48</u>
	<u>133</u>	<u>48</u>
Amounts falling due after more than one year:		
Amounts due to group undertakings:		
After more than five years	<u>16,160</u>	<u>13,959</u>

A right of set-off exists over the Company's bank account with The Royal Bank of Scotland plc against advances made to the Company's immediate holding company and its subsidiaries.

Amounts falling due after more than five years are repayable by instalments with varying repayment terms. Interest rates applicable to these amounts will be determined by reference to inter bank rates for three, six and twelve months.

PATALEX II PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 SHARE CAPITAL

30 September 2004

31 July 2004

Ordinary shares of £1 each

Authorised

1,000

1,000

Allotted, called up and not paid

2

2

11 PROFIT AND LOSS ACCOUNT

£'000

At 1 August 2004

(29)

Retained profit for the year

8

At 30 September 2004

(21)

12 RECONCILIATION OF SHAREHOLDERS' DEFICIT

30 September 2004

31 July 2004

£'000

£'000

Profit/(loss) for the financial year and net addition to/(reduction in) shareholders' funds

8

(29)

Opening shareholders' (deficit)/funds

(29)

-

Closing shareholders' deficit

(21)

(29)